

CAUSE *of* ACTION

INSTITUTE

Pursuing Freedom & Opportunity through Justice & AccountabilitySM

Prime Handouts:

How Governments **Sold Out**
Taxpayers for Amazon's HQ2



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About Cause of Action Institute

Who We Are

Cause of Action Institute is a 501(c)(3) nonpartisan government oversight organization that uses investigative, legal, and communications tools to educate the public about how government accountability, transparency, and the rule of law protect individual liberty and economic opportunity.

Our Mission

To enhance individual and economic liberty, we work to limit the power of the administrative state to make decisions that are contrary to freedom and prosperity by advocating for a transparent and accountable government free from waste, fraud, abuse, and cronyism. Three principles guide Cause of Action Institute's educational mission:

- Americans have the right to know about how public officials spend their money.
- Americans deserve an efficient, effective government that works for them, not the politically powerful.
- Americans have an interest in living free and prosperous lives without the interference of arbitrary and abusive executive power.

About the Authors

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Executive Summary

In September 2017, Amazon issued a [Request for Proposals](#) for its second headquarters, dubbed “HQ2,” which Amazon estimated would create 50,000 new jobs and \$5 billion in capital expenditures. Governments throughout North America submitted more than 200 bids in their respective efforts to woo Amazon with a variety of subsidies, tax breaks, and other publicly funded handouts.

This investigation reveals just how far some state and local governments were willing to go to create a two-tiered society—one in which the politically connected receive government subsidies, favors, and assistance, while all other businesses face countless bureaucratic and regulatory barriers and government-imposed economic disadvantages.

Certainly, any number of companies could be chided for participating in this sort of cronyism; ultimately, though, the local political leadership is charged with safeguarding tax dollars and should be held accountable for handing out subsidies, breaks, and benefits.

How Cause of Action Institute Conducted this Investigation

Cause of Action Institute reviewed 95 HQ2 proposals obtained through multiple sources, including: our own open-records requests, [MuckRock](#),¹ University of Texas at Austin Professor Nathan M. Jensen’s [website](#),² various news outlets, and official government bid websites.³ All the documents referenced in this report can be accessed on our [DocumentCloud](#).⁴

What Cause of Action Institute Identified

Cause of Action Institute's analysis of 95 HQ2 bids identifies numerous areas where governments offered or considered offering incentives outside of the widely reported financial subsidies, including:

- Fast-track and reduced-price permitting
- Free or reduced-price land
- Incorporation of Amazon's own municipal government or participation in a new government entity and even the power to control government spending
- Government officials as *de facto* lobbyists for corporate purposes
- Government contracts for cloud computing

The cost to taxpayers went beyond the HQ2 subsidy offers and ancillary benefits. From the production of the proposals to the courting of Amazon executives, state and local authorities spent tens-of-thousands to millions of dollars to entice Amazon with the promise of millions, and in some cases billions, more in tax-funded benefits.

The HQ2 proposal process also raised troubling issues of accountability and transparency. At the time of this report, only approximately 95 of the more than 230 proposals for Amazon's HQ2 had been publicly released. Many cities, including 6 of the 19 U.S.-based finalists, produced and submitted their bids through organizations not subject to open records laws, such as local chambers of commerce or economic development organizations.

Instead of relying on subsidies and special treatment, governments should enact broad-based policies that don't choose winners and losers. Cause of Action Institute offers recommendations for improving accountability and transparency for the next HQ2-type process.

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Introduction

“The richest man in America, who’s a direct competitor, has just been handed \$3 billion in subsidies. I’m not asking for money or a tax rebate.”

-Strand Book Store owner Nancy Bass Wyden to the [New York Times](#)⁵

The Strand Book Store in New York City is an independent, family-owned business founded in 1927 and described as the “[undisputed king of New York City’s independent bookstores](#).”⁶ As other bookstores and bookstore chains have folded, the Strand continues to survive despite facing numerous challenges, including “[soaring rents, book superstores, Amazon, \[and\] e-books](#).” Recently, the Strand faced a new problem: New York City and the State of New York agreed to give Amazon tax subsidies and other advantages worth \$3 billion. In other words, some of the very same tax dollars that the Strand pays to the city and state would be used to benefit its biggest competitor.

How did this happen? At the expense of the Strand—along with the taxpayers and other local businesses—public officials in New York promised Amazon billions in subsidies, grants, and other economic incentives to locate “half” of its second headquarters in New York.

On Valentine’s Day 2019, Amazon announced it would no longer be pursuing the New York project after facing three months of vocal criticism and opposition from members of the local community where the New York HQ2 was to be located. Indeed, many like Ms. Bass felt politicians had orchestrated a bad deal with Amazon that granted the retail giant favor at the expense of many others in the community.

This sort of behavior seeds distrust for the government leaders charged with stewarding the public’s tax dollars and resentment for the companies and corporations receiving their favor. Unfortunately, corporate welfare is often conflated with free market

principles that enable companies like Amazon *and* the Strand to innovate, expand, grow, and employ and serve their communities.

Businesses should not succeed based on their skill at extracting government privilege, but on their ability to improve people’s lives. The Strand Book Store has survived because of its ability to compete by creating a loyal following among customers due to the store’s near unrivaled volume of books. That’s the value offering. In return, customers choose the Strand over other stores or online rivals. But when governments tilt the playing field in favor of the well-connected, they erect barriers to others that want to work hard and create value for themselves, their customers, and their communities.

While [research](#)⁷ continues to [question](#)⁸ the efficacy of state and local subsidy programs, the moral justification for their widespread use is lacking. The question of return on investment for subsidy deals is secondary to the question of fairness. Simply put, what is the moral justification for giving handouts or preferential treatment to large corporations over existing businesses, startups, and small businesses, some of which compete with the corporations receiving the subsidies?

In this report, Cause of Action Institute (CoA Institute) analyzes Amazon’s HQ2 proposal process to identify the myriad ways governments create an unfair playing field while hindering accountability and transparency to taxpayers. CoA Institute reviewed 95 HQ2 bids and identified the worst cases of favoritism offered by cities, counties, states, and chambers of commerce.

How Cities & States Create an Unfair Playing Field

“[New York City] plans to redirect the taxpayer dollars of New York’s independent business owners to support one of their biggest competitors.”

-American Booksellers Association [Statement](#),⁹ January 9, 2019

Cities and states often design economic development incentives without considering the harm they could cause existing taxpaying businesses, many of which are small businesses, including:

1. **Competitive Harm:** Existing companies may be direct or indirect competitors of companies awarded substantial financial incentives or other benefits.
2. **Increased Tax Burden:** Cities may be unable to fully fund public services after providing targeted subsidies and must make up the shortfall from tax increases on existing firms.
3. **Continued Favoritism:** Companies that relocate with subsidies are often used by politicians to claim credit for job creation. A failed or unpopular development project could threaten a political career, which incentivizes politicians to continue to provide undue favoritism in the future.

An [October 2017 report](#)¹⁰ on a state tax credit for attracting companies by the California Legislative Analyst’s Office, a nonpartisan office similar to the Congressional Research Service, found that “these [tax credits] inadvertently harm other, equally deserving California businesses—including most of the tens of thousands of California small businesses—because the tax credits awarded to their competitors put them at a significant competitive disadvantage.” [Table 1](#) outlines the offers of corporate welfare we identified in the 95 HQ2 bids, compared to the environment likely experienced by existing businesses, including potential competitors.

Table 1

Politically Connected Firms	Small Businesses & Startups
Significant direct and indirect subsidies & tax breaks	Usually operate under the normal tax code without special, targeted subsidies & tax breaks
Free or reduced-price land	Must negotiate and buy/lease from land owners
Reduction in permit fees, fast-track approval	Full-cost permit fees, regular approval time
Dedicated permitting team	Normal permitting bureaucracy
Government will shape education curricula across all levels to benefit firm	Unlikely to have substantive input
Company-specific workforce development	No assistance or must use broad-based programs
Government leadership contractually obligated to lobby for preferred policies	Unlikely to be able to afford expensive lobbyists
Government use of eminent domain to acquire property	Must negotiate and purchase from land owners
Government offers to sole source company products in exchange for headquarters	Must compete for government contracts through competitive bidding
Reduced-price utilities or other significant utility benefits	Pay for utilities like a normal customer
Reduced rates for parking	Full price for parking
Exclusive-use runways & hangars at local airports; pre-flight lounge for employees	No special airport benefits
Offers to rename and/or govern their own city	Not considered for ridiculous ideas

Fast-Track and Reduced-Price Permitting

Almost invariably, the HQ2 bids promised Amazon an escort to the front of the line, cutting red tape and removing obstacles other businesses are forced to navigate when starting or expanding operations. Common accommodations offered included:

1. A team of government employees dedicated to guiding the company through various permitting issues
2. An offer to streamline the permitting process
3. Reduced permit costs

Washington, D.C. HQ2 Bid

Amazon one-day permitting

Upon Amazon's decision to locate HQ2 to Washington, DC, the Department of Consumer and Regulatory Affairs (DCRA), DC's primary permitting agency, will provide Amazon with our Permit-In-A-Day service.

This service will enable Amazon to complete all agency approvals for significant projects in a single day. It expedites our already-accelerated third-party permit review program, which generally takes a few months to complete for a large project. Permit-In-A-Day brings Amazon's design professionals into a room with DC's various permitting experts to obtain all approvals at once.

This streamlined process allows for Amazon's team to resolve complex design changes through face to face interaction, eliminating lengthy back and forth. With this service, design and construction can begin immediately, allowing Amazon to minimize its time to operations.

Amazon Ambassador

The District government will provide a dedicated Amazon Ambassador in the Mayor's Office to ensure seamless project approvals and reviews, and to shepherd any Amazon project throughout the government and the DC community. Government can be challenging to navigate - the Amazon Ambassador will know the ins and outs of government implicated by any of Amazon's big ideas.

From housing to transportation and education to public safety, the ambassador will assist Amazon staff in coordinating with permitting agencies and utilities during construction, and with forming meaningful engagements with the community and neighbors surrounding HQ2's site before Amazon moves in — and throughout Amazon's tenure as a DC company.

The position will be full-time and fully funded by the DC government. The Ambassador will ensure that DC's executive, legislative, and regulatory arms are thinking as big as Amazon is, and swiftly enabling Amazon to create and innovate in DC.

From Dallas's "Amazon Go Team" to Irvine's "multi-agency strike team" to Boston's "Amazon Task Force" to the District of Columbia's "Amazon Ambassador," many cities, counties, and states offered a team of employees dedicated to expediting, advising, liaising, and administering Amazon's requirements.

Dallas Fort-Worth HQ2 Bid

According to the Dallas Business Journal: "City of Dallas 'Amazon Go Team' (Estimated Value of \$1 Million) — The Amazon RFP stressed the importance of the HQ2 budget and timeline, and we heard you loud and clear. To ensure that HQ2 is up and running in Dallas as quickly as possible, the City of Dallas has created a concierge municipal department that will prioritize all things Amazon. The "Amazon Go Team" will be your friends at city hall, reachable by cell phone, obsessed with customer service, and ready to assist with any issue. A permit is being held up? Got a zoning issue? **Need to know where to get the best barbecue in town?** Call the Go Team. **These folks will be empowered to do everything short of paying your parking tickets**" (emphasis added)

Boston, Massachusetts HQ2 Bid

Proposed Resource	Brief Description
Permitting Ombudsman	Through the creation of a Amazon Task Force, the City of Boston will dedicate a Permitting Ombudsman to serve as a single point of contact to support a seamless permitting process for the multiple phases of development.

Irvine, California HQ2 Bid

Streamlined Permitting and Environmental Review

California understands that speed and certainty are two key contributors to successful projects. The Governor is committed to establishing a multi-agency "strike team" for a project the size of Amazon HQ2 that will facilitate and expedite all permits and approvals. The strike team will be led by the director of the Governor's Office of Business and Economic Development (GO-Biz) and include leaders from appropriate regulatory agencies, and will coordinate with relevant utility service providers.

These government employees were promised to process and approve Amazon's permits as fast as possible. Osceola County, Florida, promised permit approval in five days. San Diego's HQ2 bid proposed to create an onsite permitting office at Amazon's HQ2 site. The District of Columbia (D.C.) boasted same-day permitting through its "Permit-In-A-Day" service, which accelerates the permit-approval process that D.C. admits [in its HQ2 bid](#)

"generally takes a few months to complete." In other words, new small business owners without political clout are left to navigate the bureaucracy on their own and wait in line for months at a time while Amazon gets same-day permits. And nobody is there to guide the small business owner about what to file, whom to contact, and where to go for zoning, licensing, regulatory, and health issues.

Orlando, Florida HQ2 Bid

Osceola County will expedite permitting to include hiring of a dedicated permitting and inspection team for all phases of the project. Anticipated permits approval times of as little as five days.

TBD

Hampton Roads, Virginia HQ2 Bid

The City of Virginia Beach offers a streamlined development review process for Amazon. The Department of Economic Development's Project Development Coordinator will be the company's primary point of contact for development of all phases, and he will liaison between the developer/company and the City's development review team to ensure a smooth, efficient and effective development process. A special team will be established to expedite the process for this project. Upon selecting Virginia Beach as the location for HQ2, the company and Economic Development staff will create a Development Agreement to be approved by the Virginia Beach Development Authority and City Council. Design and foundation work can begin within 90 days of approval of the Development Agreement. Once the Development Agreement is approved, the company/developer can submit the following initial permits, which can be reviewed and processed concurrently:

San Diego, California HQ2 Bid

CITY OF SAN DIEGO OWNED SITE (Downtown)

- » Sales and Use Tax rebate up to 50% of new revenue generation
- » Property Tax rebate up to 50% of City's portion
- » Below market lease rate, if city retains ownership
- » Below market purchase price, if sold
- » Express/streamlined permitting, on site approval office
- » Permit fees reduced or paid by the city for site prep needs
- » Permit fees reduced or waived for new construction
- » Potential for New Market Tax Credits
- » Section 108 HUD – Up to \$25M

The Memoranda of Understanding (MOU) for the winning bids in Virginia and New York included nearly identical language designating a public senior project coordinator, with power to hire additional coordinators and staff, to work directly with Amazon to ensure all administrative details of Amazon's HQ2 are "processed in the most efficient and expeditious fashion possible." Essentially, these offers turn public employees into *de facto* Amazon contractors who are still paid by the taxpayers.

[Commonwealth of Virginia Memorandum of Understanding](#)

Section 8. Miscellaneous.

(a) Regulatory Assistance. VEDP agrees to designate a qualified person with appropriate authority as its senior project coordinator. This senior project coordinator will work directly with the Company to endeavor to ensure that all administrative details relating to the Commonwealth and the development of the Facility are processed in the most efficient and expeditious fashion possible. The senior project coordinator may designate subject-matter specialist coordinators and additional coordinators as needed. The senior project coordinator will also work with the Steering Committee, established pursuant to subsection (d) below, to provide necessary and desired support to the Committee and its activities.

[New York City Memorandum of Understanding](#)

13. Project Coordination. The Public Parties each agree to designate a qualified person or persons with appropriate authority as its senior project coordinator(s). The senior project coordinators will work directly with the Company to endeavor to ensure that all administrative details relating to the Public Parties and the development of the Project are processed in the most efficient and expeditious fashion possible. The senior project coordinators may designate subject-matter specialist coordinators and additional coordinators as needed.

Beyond dedicating public salaries to helping Amazon obtain permits, many government bids also promised to waive various fees. Arlington, Texas, for example, offered to waive all fees, including “permit fees, impact fees, development fees, etc.,” which the city calculated to total \$23.5 million in waivers. St. Louis, Missouri, proposed a 50 percent fee reduction for building permits, amounting to an estimated benefit of nearly \$10 million.

Arlington, Texas HQ2 Bid [\[7\]](#)

A graphic for the Arlington, Texas HQ2 Bid. It features a circular design with a yellow and blue background. On the left, a black and white photo shows hands pointing at architectural plans. The central text is in white on a black background. A circular badge on the right says 'APPROVAL PROCESS' in yellow.

BUILDING & IMPACT FEE WAIVERS

- Value: \$23,500,000.
- Based on requested square footage, tax rates and fee schedules.
- Granted upon building permit application.
- Guaranteed.
- All permit fees, impact fees, development fees, etc. would be waived by agreement.
- City would provide dedicated “fast-track” construction review and permitting team.
- 3rd party review inspectors allowed.

APPROVAL PROCESS

St. Louis, Missouri HQ2 Bid [\[7\]](#)

Reduction of Local Building Permit Fees

Calculation of Incentive Amount

\$9.7 million

Program Benefits

At least a **50% reduction** in local building permit fees

Description

Building Permit Fees are based upon the Total Construction Cost of a project. For purposes of determining a fee, Total Construction Costs shall include all costs for normal site preparation including grading, excavation, and backfill, structural work, interior and exterior finishes, plumbing work, mechanical work, electrical work, engineering and architectural fees.

Current Building Permit Fees are as follows:

Building Permit Fee is \$6.00 per \$1,000 of Construction Cost.

Lead Remediation Fund Fee (LRF) is \$2.00 per \$1,000.00 of Construction Cost.

Special Demolition Fund Fee (SDF) is also \$2.00 per \$1,000.00 of Construction Cost.

Control Over Government Spending

At least three HQ2 bids that CoA Institute reviewed would have given Amazon significant or full control of government spending. These offers came in two forms:

1. The power to decide how tax money would be spent within an existing city, without oversight from voters, and
2. The ability to incorporate its own city government (“Amazon City”) and thus control its own tax rates and power to spend.

Under [Fresno, California’s proposal](#), most tax revenue from the HQ2 project would be diverted to a public-private fund with limited oversight from Fresno taxpayers. Specifically, 85 percent of those revenues would go to what Fresno dubbed the “Amazon Community Fund (ACF):”

Under the proposal, ACF funds would be controlled by a joint Amazon-City of Fresno oversight committee. As envisioned, two Amazon officers sitting with the Mayor of Fresno, the Fresno City Council President and a community representative would constitute the core of the oversight committee. The committee would decide how the funds would be spent and on what projects. It would be staffed by City of Fresno employees. All construction projects approved by the joint committee would be completed via City-issued contracts. Work would be overseen by the City’s Public Works Department, with direct accountability to the joint committee.

This joint committee would have been allowed to use the City’s Public Works Department, and the Department would be “accountable to the joint committee.” This appears to suggest that the ACF oversight committee, which would have had no public accountability outside of the two elected officials on the

five-member committee, would have enjoyed substantial control over the Public Works Department. The bid doesn’t say how a “community representative” would be chosen, but if that member sided with the two Amazon representatives, Amazon could have spent the tax revenue however it pleased, so long as it fit the ACF’s guidelines.

Not only would Amazon have gotten an unprecedented say in what happened with these revenues, but the proposal also says that “the City would take steps to ensure the community knows which projects were funded by the Amazon Community Fund.” The image below was included as an example.





Kankakee County, Illinois, and Stonecrest, Georgia, went even further than Fresno. Their bids would have allowed Amazon to incorporate its own city while also benefiting from state incentives. Both

cities would be named “Amazon City,” but Kankakee threw in a sweetener, offering to rename their local airport “Bezos International Airport” and included the image above on the cover of their proposal.

Kankakee County, Illinois HQ2 Bid

Amazon can create its own city and, with our help, form its own government, instead of retrofitting itself into an existing city and government. Amazon is empowered to design its own vision of sustainability, interconnectivity, K-12 schools and commitment to green energy and cultural diversity. The possibilities are only limited by Amazon's imagination and these are not options with any other metropolitan areas submitting proposals. Kankakee County provides Amazon with the same economic incentives offered by the State of Illinois, but uniquely we offer the infrastructure and open land as the canvas and self-governance as the palette for Amazon to paint its own innovative city of the future — Amazon, Illinois.

Stonecrest, Georgia HQ2 Bid

STATE OF GEORGIA
COUNTY OF DEKALB
CITY OF STONECREST

RESOLUTION 2017-10 *01*

A RESOLUTION AUTHORIZING A REQUEST TO THE GEORGIA GENERAL ASSEMBLY TO DEANNEX A PORTION OF THE CITY OF STONECREST TO BE INCORPORATED AS THE CITY OF AMAZON, GEORGIA.

AMAZON, GEORGIA

Amazon has the unique opportunity to create its own city if Stonecrest is selected. Because Stonecrest is a new city, they have the flexibility to be more creative than our competitors. Amazon could create a corporate city in the metropolitan Atlanta area and expand their eternal brand.

Stonecrest is offering a unique space to host Amazon's second headquarters. This is the largest available land space in the metropolitan Atlanta area and the local officials are ready to welcome Amazon with open arms and loads of flexibility to be as creative as Amazon is willing to be.

Stonecrest welcomes Amazon to come visit us and tour the proposed site at their convenience. Stonecrest does not require a Special Land Use Permit to build on this site, so much of the red-tape required by other municipalities is eliminated.

Eminent Domain and Free Land

New York's state-level economic development authority, Empire State Development, made explicit [in its proposal](#) to Amazon that it would use its power to obtain the real property—even through eminent domain—and zoning Amazon preferred.

The MOU between Amazon, New York State, and New York City, executed after the City's initial selection, provided that the selected site in Long Island City would be developed through the state's General Project Plan (GPP) process, thereby usurping the Universal Land Use Review Process (ULURP), which is typically used to approve projects in New York City. While the ULURP would subject Amazon—like any other company—to a lengthy review process, community input, and multiple occasions for disapproval, the GPP would fast-track and generally rubber stamp the necessary approvals for HQ2's land use.

Other proposals offered Amazon publicly owned land for free. The [joint Buffalo-Rochester](#) proposed local incentive package included transferring 11 acres of land, which were estimated to be worth more than \$13 million, to Amazon for \$1. In Florida, [Tallahassee's](#) and [Orlando's](#) bids each tried to tempt the tech giant with a whopping 100 acres of government-owned land at no cost.

[New York City HQ2 Bid](#)

LAND USE & ZONING SUPPORT

ESD will work with Amazon and the local partners throughout New York State to coordinate and expedite development of Amazon's proposed headquarters. The agency's statutory authorities allow it to catalyze real estate development that supports economic growth in New York State. Subject to public approvals, ESD is empowered to acquire, encumber and dispose of any real property interest, including through eminent domain. ESD can also override local zoning, offer tax subsidies while holding title to a property, and provide lower cost financing or grants to economic development projects.

[Orlando, Florida HQ2 Bid](#)

Osceola County is willing to offer up to 100 acres of pad-ready land in the NeoCity development free of cost to Amazon. The site is wholly-owned by Osceola County.

\$40,000,000 for 100 acres
(\$400,000 per acre)

[Buffalo-Rochester, New York HQ2 Bid](#)

Appendix A.1.vii Description of local incentive package

Free Land (transfer for \$1):

Market value assessment in today's dollars (pre-HQ2 announcement) = \$1.24 million/acre (based on recent land sale immediately adjacent to property)

Transfer of 11 acres = \$13.64 million value of incentive in today's dollars

Given that the land transfer is projected to occur during Phases 2 and 3, we project the value of the parcels will increase significantly upon HQ2 announcement. Therefore, the Net Present Value of the transferred 11 acres of land is calculated at **\$73.7 million**.

[Tallahassee, Florida HQ2 Bid](#)

Simply put, we are ready. Like few others, our community has aligned its resources to create the infrastructure necessary to support economic growth, including Amazon's HQ2. We are committed to working with you to achieve mutual goals; to that end, **the City of Tallahassee is offering 100-acres of city-owned land to Amazon for HQ2 at no cost - a value of \$1.5 million.**

Located on property adjacent to the Tallahassee International Airport, these 100 acres offer Amazon unprecedented opportunity to stake its claim on the fastest-growing area of our community. Not only is this property steps away from the airport, it's also **within three miles of North Florida's premier research and development Park, two major research universities, and our renowned community college.** This talent-rich segment of town is full of untapped potential, and by choosing Florida's Capital, Amazon has the opportunity to help shape the future of its development.

New York City Memorandum of Understanding

10. Workforce Development.

(a) The City (or NYCEDC), ESD and the Company agree to make an initial investment of \$5 million each (totaling \$15 million) beginning in calendar year 2020 to fund workforce development initiatives in connection with the Project. The Company will collaborate with the Public Parties over the next ten (10) years, to develop workforce development initiatives that will impact thousands of students and workers. These initiatives may include the following:

Albany, New York HQ2 Bid

OUR COMMITMENT TO AMAZON:

We will ensure that Amazon can shape local school and university curricula to meet your future workforce needs – starting with the University at Albany Engineering program and the potential for Amazon High School!

Irvine, California HQ2 Bid

Workforce Development and Training Programs

California recognizes that Amazon's HQ2 will require top technical and managerial talent. California is currently making significant investments in training through programs like the StrongWorkforce Program (a \$1 billion program) and the Workforce Accelerator program.

The state is committed to linking Amazon with state and local workforce partners to accelerate skill development, create new apprenticeship models and strengthen the workforce base through the aforementioned programs. The Governor will work with Amazon and local community colleges and other stakeholders to designate funds to meet Amazon's workforce needs.

The state can also promote skill-development through its Employment Training Panel (ETP), a state agency that provides funds to offset costs for job skills training. The ETP can provide up to \$10 million in funding for the Amazon HQ2 annually for the next ten years (up to \$100 million total) as Amazon hires and trains its workforce at the new location and ETP funding is contingent upon contract approval by the panel.

Boston, Massachusetts HQ2 Bid

Workforce Ombudsman

As part of the Amazon Task Force, the City of Boston will dedicate a Workforce Ombudsman to serve as a single point of contact to support coordination with the city as well as workforce providers and talent pipeline resources. This ombudsman will develop and enhance career pathways for Amazon and area tech companies that are seeking skilled employees.

Workforce and Education Development

A trained and educated workforce is important for companies large and small, but HQ2 bids focused on tailoring taxpayer-funded workforce and education programs specifically to benefit one company.

New York City's MOU called for \$5 million from the city and \$5 million from Empire State Development for this purpose in connection with the project. Albany, New York, not only offered to let Amazon "shape local high school and university curricula," but it also dangled the possibility for an "Amazon High School."

California touted its existing workforce development programs but emphasized that it would "designate funds to meet Amazon's workforce needs." Boston's bid claimed its "Workforce Ombudsman" would have been available to serve "Amazon and area tech companies," but it's clear that the focus would be on Amazon. Indeed, there is no indication that Boston is moving forward with the Workforce Ombudsman now that it was not selected for HQ2.

Commonwealth of Virginia

Memorandum of Understanding ☑

(b) Regulatory Flexibility. The Secretary of Commerce and Trade and VEDP acknowledge that a key component of the long-term success of the Facility, as well as the Commonwealth as a whole, will be the Commonwealth's ability to foster an innovative economy. Therefore, the Secretary of Commerce and Trade and VEDP will actively encourage the Commonwealth's regulatory authorities to implement forward-looking regulatory frameworks that, to the extent appropriate: (i) increase consumer choice and allow new and innovative forms of technologies and services to enter the marketplace; (ii) reassess existing laws and regulations to assure they are not unduly harming innovation and competition in pursuit of their objectives; (iii) are performance-based and technology neutral; (iv) limit prescriptive conditions on the design and operation of new technologies or devices; and (v) support environmentally-sustainable technologies and cost-competitive renewable energy.

New York City Memorandum of Understanding ☑

Support for Innovation. The Public Parties understand that an innovative economy that supports new technology development, environmental sustainability and forward-looking products and services is of paramount importance to the Company and agree to continue their commitment to foster and develop this type of atmosphere within New York State, New York City and Long Island City, while balancing the needs of workers and the public.

Irvine, California HQ2 Bid ☑

California Competes Tax Credit

The California Competes Tax Credit program is a negotiated income tax credit awarded to competitive applicants for proposed growth in hiring and capital investment. It has spurred jobs and economic investment across the state. The Governor will propose an extension of five years in the 2018-19 State budget. The budget is released January 10, 2018, and must be approved no later than June 15, 2018.

Should California be selected as a potential Amazon HQ2 location, the Administration will work with the Legislature to pass legislation that provides certainty to Amazon in accessing these tax credits. Under current regulations, up to \$40 million annually for five years (up to \$200 million total) may be made available, and the credits can be carried forward for six years.

Government Officials as *De Facto* Lobbyists

The [Virginia MOU](#) contains a clause that effectively makes the Virginia Secretary of Commerce and Trade and the Virginia Economic Development Partnership lobbyists working to ensure a regulatory environment that Amazon would deem “forward-looking.”

The [New York City MOU](#) included a similar clause, but it's more aspirational and doesn't include specifics.

The [Governor of California](#) promised he would “pursue additional legislative relief for the Amazon HQ2 project through an expedited process when the legislature reconvenes in January 2018.”

Quid Pro Quo: HQ2 for Government Contracts

Internal e-mails from the city government of [Houston, Texas](#), indicate they may have offered to contract with Amazon Web Services (AWS) in exchange for Amazon selecting them for HQ2. [Texas state law](#) requires that all contracts larger than \$50,000, with limited exemptions, be subject to competitive bidding.¹¹

A similar question was raised in Columbus, Ohio's Economic Development Division, according to [internal e-mails](#). Although it's uncertain whether this *quid pro quo* made it into an official bid submission, the fact that it was considered as an option is troubling and makes it more likely that these sorts of offers will become more commonplace in the future.

City of Houston, Texas HQ2 Emails [↗](#)

The City of Houston will commit to AWS GovCloud

As the 4th largest city in the nation, the City of Houston utilizes two local data centers and several city facilities to host technology systems supporting public safety, utilities, transportation, community services and financial operations. This historical "on-premise" focus has constrained the city's ability to maintain operations, to respond and recover from incidents, and to deliver innovative citizen solutions in a timely manner.

The City of Houston is beginning the transition to a cloud-first strategy to strengthen operational responsiveness and build the foundation for explosive growth in IoT, data, AI and smart city initiatives. We are seeking to enhance the lives of Houstonians -- and the 6.5 million who reside in our metro region -- with technology and data that informs citizens, anticipates their needs, and attracts further innovation to our region.

With an Amazon partnership, the City of Houston is prepared to move up to 70% of our technology footprint into the AWS GovCloud. This constitutes a massive migration of municipal technology to Amazon, including the nation's 5th largest police and fire departments, one of the nation's largest public works departments, and world-class airports serving 55 million passengers per year. We are committed to run the nation's 4th largest city on the AWS GovCloud.

Columbus, Ohio HQ2 Emails [↗](#)

From: Loges, Michael J.
Sent: Wednesday, September 13, 2017 3:45 PM
To: Harris, Quinten L.
Subject: Amazon

Will The city of Columbus consider providing some sort of discount to water, sewer, or electric service?

Will the city consider executing a master agreement to allow Amazon to test their product on non-mission critical city systems?

Will the city of Columbus consider executing a master agreement with Amazon Web Services for all future data storage needs?

Michael J. Loges
Business Development Specialist
Economic Development Division

Discounted Utilities

[Tallahassee, Florida](#), and [Albany, New York](#), both offered support for solar energy.

Tallahassee estimated a solar facility already under construction would save Amazon \$2.5 million each year, and the city offered its assistance if additional solar energy was desired.

Albany didn't have existing infrastructure but offered "subsidies and expedited permitting" if solar power was desired.

[Tallahassee, Florida HQ2 Bid](#)

Local Incentive Programs

Solar Energy¹

The City of Tallahassee is offering Amazon HQ2 the opportunity to accept as an economic incentive **100 percent of the electricity generated by the 20 megawatt, 120-acre solar farm** currently under construction at the Tallahassee International Airport. The donation of these 50 million kilowatt hours will **save your company \$2.5 million each year** in utility costs. Should Amazon demonstrate need for additional solar energy, the City of Tallahassee is willing to work to construct another facility.

[Albany, New York HQ2 Bid](#)

OUR COMMITMENT TO AMAZON:

We will partner with you to ensure you have access to stable and reliable utilities – including exploring an Amazon solar farm / solar array at your preferred sites through subsidies and expedited permitting.

Essentially, these offers turn public employees into *de facto* Amazon contractors who are still paid by the taxpayers.





Planes, Trains, and Automobiles

Bids also promised millions of dollars of transportation benefits, with special airport and parking benefits being the most-common perks offered. [Dallas Fort-Worth](#) hoped to lure Amazon with a “build-to-suit corporate hangar for Amazon at Dallas Executive Airport for hassle-free business travel.”¹² The hangar was valued at up to \$25 million. Similarly, [Pittsburgh](#) promised to dedicate space within the airport to Amazon, such as a designated terminal, which Amazon could design. [New Castle County, Delaware](#), proposed to dedicate runways at the county-owned airport for Amazon’s exclusive use, and [Atlanta](#) offered traveling Amazon employees an exclusive lounge at Hartsfield-Jackson International Airport.

[Atlanta, GA HQ2 Bid](#)

Pre/Post Flight Airport Lounge @ Hartsfield Jackson Atlanta International Airport (HJAIA)

Hartsfield Jackson Atlanta International Airport (HJAIA) will designate an area within the terminal concourse to establish a premiere pre/post flight lounge for the period of one year. The lounge is for the exclusive use of Amazon HQ2 employees with work stations, a small conference room, information board/monitors and light refreshments. In addition, the company will have access to fifty (50) parking spaces at no cost for a year.

Offering Incentive: HJAIA
Estimated value: \$150,000

[Delaware HQ2 Bid](#)

AIRPORT USE:

New Castle County owns and the Delaware River & Bay Authority operates the Wilmington Airport (ILG), with three major runways, ten taxiways and several aircraft parking ramps. The County will expand air cargo and passenger capacity and designate runways for Amazon’s exclusive use.



[Dallas Fort-Worth HQ2 Bid](#)

Airport Incentives (Value of up to \$25 Million) – In addition to DFW International Airport and Dallas Love Field, the city owns a third airport, Dallas Executive, located 15 minutes from downtown. The City of Dallas will offer up to \$25 Million to construct a build-to-suit corporate hanger for Amazon at Dallas Executive Airport for hassle-free business travel. In addition, the City owns Hensley Field, a secure air field formerly used by the U.S. Navy as a naval reserve aviation base. Hensley would be an ideal location to test or operate new delivery technologies or other research innovations as needed by Amazon.

[Pittsburgh-Allegheny County HQ2 Bid](#)

Amazon has the unique opportunity to influence the airport redevelopment plan. We are prepared to offer Amazon designated space within the airport to support its operations. If Amazon selects Pittsburgh for HQ2 while major upgrades are still underway, the company will have the opportunity to design a space suited to its needs, such as a terminal dedicated to shipping logistics or other uses. The airport is already partnering with CMU to utilize the facility as a tech incubator and the airport's modernization plans will accelerate and implement industry best practices in customer service and airline logistics.

Cincinnati, Ohio HQ2 Bid

The Banks Parking Facilities will be available to Amazon employees at a rate that is less than prevailing CBD rates and will be further discounted by the County.

All such parking shall be made available to Amazon employees at a bulk rate equal to 70% of the already extremely competitive single-car rates offered to the general public at any time. The chart below reflects the projected monthly single-car parking rates available to the public and the discounted monthly rates applicable to Amazon employees. Such publicly available rates and discounted rates are subject to future increases, at an agreed upon escalation rate, although the 30% discount rate will remain unchanged during the fixed term.

Projected Number of Users	Projected Savings Annually Accruing to Amazon Employees
3,500 - 7,000	\$150,000-300,000

While most everyone who lives or works in urban centers must find and pay for limited parking, cities offered to provide Amazon with discounted and dedicated parking for its employees. [Cincinnati, Ohio](#), offered Amazon employees 30 percent off parking. [St. Louis](#) promised to provide Amazon with at least 1,250 parking spaces, an estimated value of \$54 million, within two blocks of HQ2 within two years of its selection.

Virginia has agreed to build a second entrance to both metro stations that serve the Crystal City area where HQ2 will be located. [Atlanta](#) offered to “explore” providing Amazon with its own special car on MARTA, the city’s public transportation rail system, to ship Amazon packages.

St. Louis, Missouri HQ2 Bid

Parking for Amazon Tower

Calculation of Incentive Amount
\$54 million

Program Benefits and Timing

St. Louis City will provide at least 1,250 parking spaces within two blocks of the Amazon Tower within 24 months of being selected for HQ2 and provide interim parking at mass transit locations for any requirement needed to be met prior to 24 months.

Atlanta, GA HQ2 Bid

MARTA Dedicated Car

MARTA would commit to exploring the possibility of adding an Amazon-dedicated car to the MARTA train which can be used to distribute products throughout the city. Agreement would be subject to approval of the MARTA board. Based on location, MARTA will also commit to working with the City of Atlanta on allocating a portion of the MARTA 0.5 cent sales tax toward enhancing employee access to the Amazon HQ2 site.

Offering incentive: MARTA

Estimated value: To be determined

Bidding Process a Waste of Time and Taxpayer Money

When Amazon announced its Request for Proposals for HQ2, state and local governments across the country scrambled to produce bids laden with public incentives to woo the tech giant. Not only did the offers promise incentives that would come at great cost to the taxpayers, but so did the bidding process itself. From the production of the proposals to the courting of Amazon executives, state and local authorities spent tens-of-thousands to millions of dollars to convince Amazon to allow them the opportunity to give Amazon millions to billions more.

For example, Virginia's three bids cost over \$2 million to complete, according [to a document](#) obtained by an open records request. Expenses include professional consulting fees, a commissioned economic impact study, and travel, lodging, and meal arrangements for Amazon representatives and public officials.

USES		
Service Provider or Type of Expenditure	Amount	
	Value	Percent
Professional services		
McKinsey & Company*	1,350,000	65%
Subject Matter (Home Front Communications LLC): paid to date*	576,797	28%
Subject Matter (Home Front Communications LLC): estimated costs not yet paid	50,000	2%
Stephen S. Fuller Institute: paid to date	35,420	2%
Stephen S. Fuller Institute: estimated costs not yet paid	15,000	1%
Total professional services	2,027,217	98%
Travel, lodging, and meals for Virginia HQ2 team	22,656	1%
Travel, meals, and facility costs for prospect meetings	9,577	0.5%
Miscellaneous (e.g., HVAC for evenings/weekends at VEDP, printing, branded items)	7,756	0.4%
Grand Total	2,067,206	100%

Open records requests and news reports have uncovered some of the contract spending by local governments, but these contracts likely do not capture the full cost to taxpayers. Camden County, New Jersey, [approved a contract with EwingCole](#)¹³ for up to \$40,000 to assist with answering Amazon’s RFP and [Irvine, California](#), shelled out \$25,000. Unfortunately, the price tag for many of the more than 230 proposals is not yet known.

The under-the-radar costs to taxpayers also include the tremendous amount of time spent by taxpayer-funded employees in crafting bids or negotiating incentive packages. According to the [Northern Virginia HQ2 website](#),¹⁴ its proposal “was developed through an unprecedented collaboration of hundreds of state, regional, and local partners, including elected officials, economic development professionals, business leaders, state officials, community stakeholders, university presidents, and many more.” The project management team alone lists seventeen employees from five different government-funded entities in Virginia. Although this may have been arguably and uniquely worthwhile for Virginia, regions that were not selected were left with nothing to show for their expenditure of tax dollars.

The [Kansas City Area Development Council noted](#) the “unprecedented” effort to submit its failed bid:¹⁵

the largest regional response effort in Kansas City Area Development Council’s (KCADC) history...the KC region came together at an unprecedented scale of regional cooperation to present a proposal representing two states, 18 counties, and many communities from across the metro area...Given the highly competitive nature of the site location process and Amazon’s required Non-Disclosure Agreement, no additional details of the KC region’s proposal will be available to the public.

The mayor of Kansas City, Missouri, Sly James, [launched a campaign](#)¹⁶ of adding fake 5-star reviews to 1,000 products on Amazon to promote its bid. This included [posting videos on Twitter](#) of him typing and submitting fake 5-star reviews on Amazon after purchasing 1,000 items. Although the items were “[bought with private funds and will be donated to charity](#),” posting reviews, even fake ones, on 1,000 items is an incredible waste of taxpayer-funded time.

The amount of detail and work included in bids varied widely, but it’s clear from our review of a significant sample of bids that a huge amount of time and taxpayer money was spent creating them—almost all of which were crafted without transparency or public input.

Taxpayers Left in the Dark

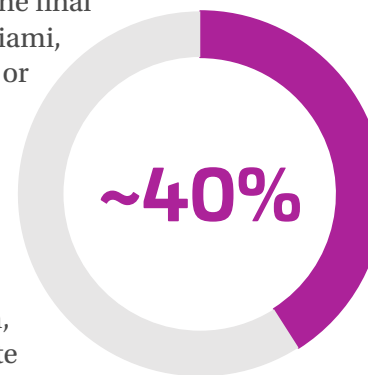
Throughout the Amazon HQ2 selection process, states and localities across the nation readily offered the tech giant taxpayer money and other incentives from which their constituents would not equally benefit. Despite these proposals' largesse with public money and resources, the public was largely kept in the dark about their details. Of the more than 230 proposals Amazon is known to have received, only about 40 percent are publicly available, and most of those became available only after Amazon cut the city from consideration or announced plans to establish two new headquarters in New York and Virginia.

Thirteen of the nineteen U.S. localities that made Amazon's list of finalists (Toronto, Canada, was the twentieth) withheld disclosure of their bid details until after Amazon made the final announcement, despite pending open records requests. Four of those cities—Miami, Austin, Indianapolis, and Los Angeles—have yet to release their HQ2 proposals, or at least the details of their incentive packages, at the time of this report's release.

In the face of records requests, public officials sought to keep their proposals shrouded from public scrutiny and often used similar justifications for their lack of transparency; specifically, disclosure would (i) subvert the bid's competitiveness, (ii) reveal trade secrets, or (iii) release Amazon's proprietary information. Another common tactic, employed by cities such as Atlanta, Austin, Dallas, Denver, Indianapolis, Los Angeles, and Minneapolis, was to have a private third-party entity not subject to open records laws (*e.g.*, a chamber of commerce) handle the proposal.

A response to a California Public Records Act request [on MuckRock](#) exemplifies the worst of both of these strategies.¹⁷ By routing its bid through a private entity, the Los Angeles County Economic Development Corporation was able to refuse to release it to the public even after the end of the proposal process:

Thanks for the inquiry, but LAEDC is not a public agency. We are a private, nonprofit 501(c)(3) organization. The proposal LAEDC submitted to Amazon on behalf of the greater LA County region is confidential and not available to the public. Thanks for your understanding and best wishes.



Only approx. 40% of HQ2 proposals have been released to date.

In addition to the costs of creating the HQ2 proposals, several cities and counties spent additional tax dollars trying to keep them a secret. Some cities went to great lengths to keep their proposals private, opting to fight it out in court when records requesters filed suit after being denied access to HQ2 proposals. In August 2018, a Cook County circuit judge [ruled in favor](#) of Chicago's effort to keep its bid secret, citing an Illinois Freedom of Information Act exemption for contract bids.¹⁸

In Minnesota, the Minneapolis-St. Paul proposal was handled by Greater MSP, a nonprofit economic development organization not subject to the Minnesota Government Data Practices Act (MGDPA). However, Greater MSP posted its proposal on a password-protected site that it shared with Amazon and Minnesota's Department of Employment and Economic Development (DEED). The MGDPA provides that "all data collected, created, received, maintained, or disseminated by a government entity" is government data and, therefore, publicly accessible unless specifically designated otherwise by law. Yet a state Court of Appeals [judge ruled](#) in favor of DEED and Greater MSP, citing a lack of contract between the parties.¹⁹ The judge also found that although DEED employees had access to the HQ2 proposal data, DEED did not "receive" the data.

In a win for transparency, in early November 2018, just before Amazon announced its final decision, a circuit court judge in Pittsburgh [ordered the release](#) of Pittsburgh and Allegheny County's combined bid for Amazon HQ2, ruling that the proposal is a public record.²⁰ Before the ruling, city and county officials had demonstrated a strong desire to flout transparency. They initially denied a public records request from a local television station, which appealed to Pennsylvania's Office of Public Records. When the Office of Public Records determined the proposal was indeed a public record, city and county officials, unwilling to accept the OPR's decision and release the documents, appealed to the circuit court. The court affirmed OPR's initial holding and ordered the [proposal's release](#).²¹ The city and county made the [bid public two days](#) after Amazon selected New York and Virginia for HQ2.

Even now that the bidding process has concluded, threats to transparency remain. The Memorandum of Understanding between Virginia, the Virginia Economic Development Partnership Authority, and Amazon, which details the subsidies and other incentives Amazon is to receive from the Commonwealth, also includes provisions granting Amazon the power to review and respond to open records requests regarding HQ2.

“

Despite these proposals' largesse with public money and resources, the public was largely kept in the dark about their details.

The Company acknowledges that this Memorandum is a public record subject to disclosure under the Commonwealth's public records laws, and that portions of certain materials, communications, data, and information related to this Memorandum may constitute public records subject to disclosure under the Commonwealth's public records laws and agrees that VEDP and the Commonwealth will disclose this Memorandum and such portions of the materials, communications, data, and information related to this Memorandum as required by law, provided that VEDP and the Commonwealth (a) except as to the disclosure of this Memorandum, give the Company prior written notice sufficient (in no event less than 2 business days) to allow the Company to seek a protective order or other appropriate remedy, (b) disclose only such information as is required under the applicable law, (c) cooperate with the Company in responding to any such records request, and (d) limit disclosure, refuse to disclose, and redact and/or omit portions of materials to the maximum extent permitted by applicable law. The Company acknowledges that the amount of each Grant Payment, the basic information required to calculate the amount of each Grant Payment and the fact that the Company did or did not timely file an Application for a Grant Payment or a Progress Report, reflect public records or information that may be disclosed by the Commonwealth and VEDP, without notice to the Company.

After being initially awarded half of the originally proposed HQ2, New York officials finally released their proposal, Memorandum of Understanding, and other documents revealing an incentives package for Amazon valued at \$3 billion. Upon coming to light, the deal faced vocal opposition from some local politicians, unions, and other community members; and, three months after announcing New York City's selection as a location for HQ2, Amazon killed the project.

Could a more transparent proposal process have avoided a deal that ultimately proved unworkable? To further shed light on this opaque process, CoA Institute sent freedom of information requests to NYCEDC and ESD requesting access to email communications records with Amazon from the time Amazon made its RFP to the day Amazon announced the locations of HQ2. The requests were sent on November 15, 2018, and acknowledged by NYCEDC and ESD on November 26 and November 23, respectively. Now, several months later, we have yet to receive any records. Each month since acknowledging the request, ESD has sent a letter requesting a month extension while the NYCEDC sent a extension letter at the end of December 2018 stating they anticipate producing documents by the end of March 2019.

Lessons from HQ2

Instead of attracting or retaining companies with subsidies or targeted benefits, governments should instead focus on broad-based policies that create a level playing field and business-friendly environment. For example, government permitting should be efficient and streamlined for all businesses, not just for favored companies. An example of this approach is [New Hampshire's HQ2 Bid](#), which relies on what it calls “Enterprise Freedom.”

CoA Institute recognizes that most, if not all, of the cities, counties, and states that submitted a bid for HQ2 will continue offering subsidies and other incentives to private companies. We disagree with this practice, but we’d recommend the following changes to bring more accountability and transparency to the process:

- All subsidy deals should be handled by a government agency subject to open records laws instead of private parties such as chambers of commerce or exempt economic development corporations.
- Bids should be made public when submitted, or at minimum, when the company chooses a location.
- Ensure that subsidy programs include a [clawback mechanism](#)²² so that funds can be recouped if companies fail to provide the promised jobs or public benefits.
- Proactively disclose the public costs, such as contracts, travel, and incidentals, related to the recruitment process.
- Avoid creating slush funds, like Fresno’s proposed Amazon Community Fund, that hinder public oversight of government spending.
- Do not agree to lobby for future government policies, even if you agree with them at the time.
- Do not offer to bypass competitive bidding on government contracts.
- If New York is truly opposed to business subsidies, the state and City Council should abolish the subsidy programs that pre-date the HQ2 process and were part of the Amazon deal.

New Hampshire offers a fundamentally different approach to government and taxes. One that celebrates “Enterprise Freedom.”

Other states collect general broad-based taxes from their citizens and businesses, and then handpick targeted subsidies to special interests who are selected as “winners” in a government-dominated process.

New Hampshire does not rely on complex and contingent special tax deals because New Hampshire never collects the tax in the first place.

So, our government process does not pick winners and losers. Instead, every citizen and every business is a winner. Our entire community – businesses, employees, citizens – are all in it together. This is “Enterprise Freedom.”

Conclusion

*“There are no incentives for those of us who are already here.
Why should the richest man in the history of the world get
money to open his business?”*

–Gina Schaefer, who owns a dozen hardware stores in the Washington, D.C. area, to the [*New York Times*](#)²³

Across the country, public officials offered Amazon direct cash, real property, massive tax breaks, fee waivers, publicly-employed liaisons, and special access to and exclusive use of public resources such as airports, parking, and public transportation. These add up to significant advantages for Amazon over other businesses in the many industries in which Amazon operates.

Amazon, like any other company, does not have the power to subsidize their costs or take cash grants from tax revenues—only the government does. State and local governments that engage in cronyism sell out their constituents by redistributing money from the taxpayers and businesses to a politically-favored company. Public funds handed to private corporations means less money for public goods like education, infrastructure, and public safety.

Corporations do not need welfare, especially wildly successful ones. Businesses should succeed not on their ability to obtain government privilege, but on their ability to improve people’s lives, and government should not be in the business of choosing winners and losers in the marketplace. When governments tilt the playing field in favor of the well-connected, they redistribute resources away from better uses and they erect barriers to others who want to work hard and create value for communities.

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